

application has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank or to the offices of the Board of Governors. Any comment on an application that requests a hearing must include a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing.

Unless otherwise noted, comments regarding each of these applications must be received not later than February 16, 1996.

A. Federal Reserve Bank of Chicago (James A. Bluemle, Vice President) 230 South LaSalle Street, Chicago, Illinois 60690:

1. *Holcomb Bancorp, Inc. Employee Stock Ownership Plan*, Holcomb, Illinois; to become a bank holding company by acquiring 33 percent of the voting shares of Holcomb Bancorp, Inc., Holcomb, Illinois, and thereby indirectly acquire Holcomb State Bank, Holcomb, Illinois.

B. Federal Reserve Bank of San Francisco (Kenneth R. Binning, Director, Bank Holding Company) 101 Market Street, San Francisco, California 94105:

1. *Puget Sound Bancorp*, Port Orchard, Washington; to become a bank holding company by acquiring 100 percent of the voting shares of First National Bank of Port Orchard, Port Orchard, Washington.

Board of Governors of the Federal Reserve System, January 18, 1996.

Jennifer J. Johnson,
Deputy Secretary of the Board.

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HSBC Holdings plc; Notice to Engage in Certain Nonbanking Activities;

HSBC Holdings plc, London, England, and HSBC Holdings BV, Amsterdam, The Netherlands (together, Notificants), have provided notice pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) (BHC Act) and § 225.23(a)(3) of the Board's Regulation Y (12 CFR 225.23(a)(3)), to engage de novo through their wholly owned subsidiary, HSBC Securities, Inc., New York, New York (HSI), in underwriting and dealing in debt and equity securities, other than interests in open-end investment companies; trading futures, options on futures, and options on instruments

eligible for investment by national banks, interest rates and non-U.S. sovereign debt securities; and acting as agent in the syndication of loans. Notificants propose to engage in these activities throughout the world.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity which the Board, after due notice and opportunity for hearing, has determined (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. This statutory test requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the Board must determine that the activity is, as a general matter, closely related to banking. Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

A particular activity may be found to meet the "closely related to banking" test if it is demonstrated that banks generally have provided the proposed activity, that banks generally provide services that are operationally or functionally similar to the proposed activity so as to equip them particularly well to provide the proposed activity, or that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form. *National Courier Ass'n v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). In addition, the Board may consider any other basis that may demonstrate that the activity has a reasonable or close relationship to banking or managing or controlling banks. Board Statement Regarding Regulation Y, 49 FR 806 (January 5, 1984).

Notificants maintain that the Board previously has determined by order and regulation that the proposed activities are closely related to banking. See 12 CFR 225.25(b)(1); *Swiss Bank Corporation*, 81 Fed. Res. Bull. 185 (1995); *Canadian Imperial Bank of Commerce*, 76 Fed. Res. Bull. 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 Fed. Res. Bull. 192 (1989), aff'd sub nom. *Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); and *Citicorp.*, 73 Fed. Res. Bull. 473 (1987), aff'd sub nom. *Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), cert. denied, 486 U.S. 1059 (1988). Notificants have stated that HSI would conduct these proposed activities

within the limitations and prudential guidelines established by the Board. Notificants also have stated that HSI would not derive more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.

In order to approve the proposal, the Board must determine that the proposed activities to be conducted by HSI "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. 1843(c)(8). Notificants believe that the proposal would produce public benefits that outweigh any potential adverse effects. In particular, Notificants maintain that the proposal would enhance competition and enable Notificants to offer their customers a broader range of products. Notificants also maintain that their proposal would not result in any adverse effects.

In publishing the proposal for comment, the Board does not take a position on issues raised by the proposal. Notice of the proposal is published solely to seek the views of interested persons on the issues presented by the application and does not represent a determination by the Board that the proposal meets, or is likely to meet, the standards of the BHC Act. Any comments or requests for hearing should be submitted in writing and received by William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, not later than February 7, 1996. Any request for a hearing on this application must, as required by § 262.3(e) of the Board's Rules of Procedure (12 CFR 262.3(e)), be accompanied by a statement of the reasons why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

This application may be inspected at the offices of the Board of Governors or the Federal Reserve Bank of New York.

Board of Governors of the Federal Reserve System, January 18, 1996.

Jennifer J. Johnson,
Deputy Secretary of the Board.

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